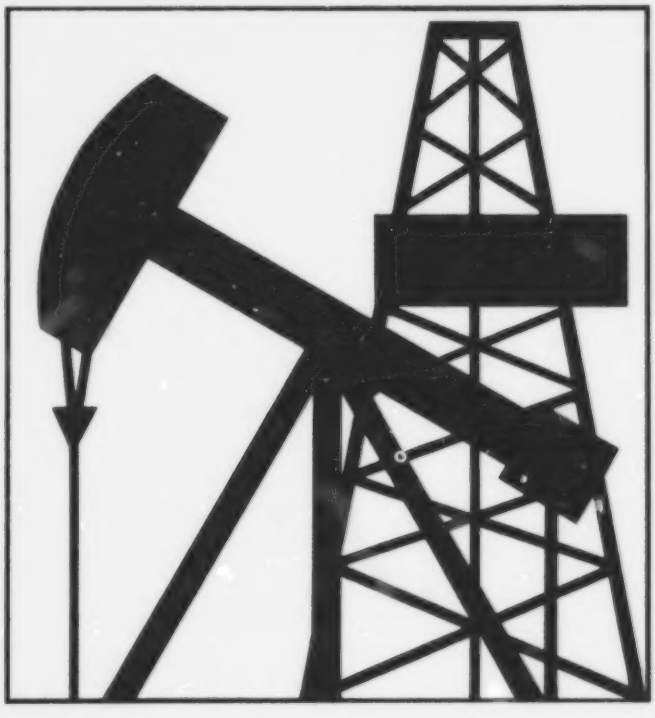
A guide to business opportunities in the oil and gas industry in northern Alberta



NORTHERN ALBERTA DEVELOPMENT COUNCIL

A GUIDE
TO
BUSINESS OPPORTUNITIES
IN THE
OIL AND GAS INDUSTRY
IN
NORTHERN ALBERTA

The members of the Northern Alberta Development Council are pleased to present this guide for use by northern businesses.

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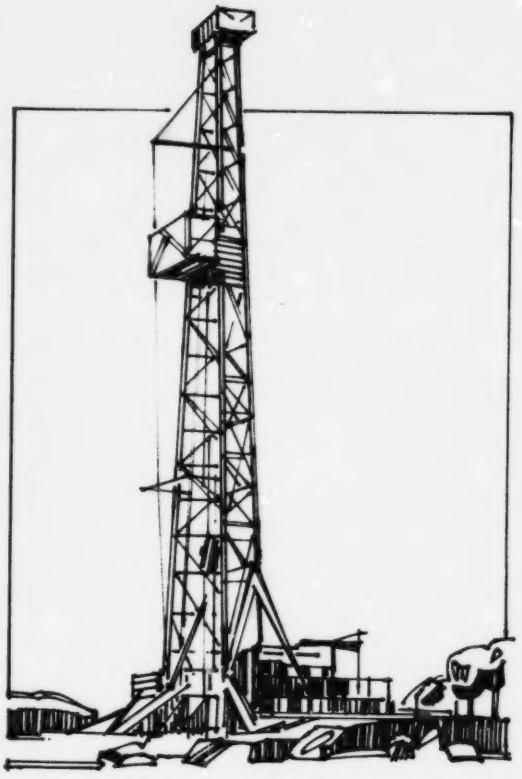
TO THE READER

This *Guide to Business Opportunities in the Oil and Gas Industry* has been prepared to serve four basic purposes: first, to indicate some ways and means of recognizing and pursuing potential business opportunities; secondly, to provide some insight into contract bidding; thirdly, to suggest methods by which communities can assist their local businesses to secure energy sector opportunities; and finally, to offer some tips for survival in northern Alberta's oil and gas industry.



The primary audience for this guide consists of three northern Alberta groups:

1. Established businesses, already serving the oil and gas sector, that wish to either maintain or expand their operations

2. Individuals planning to start a new service or supply business which will cater to the oil and gas industry

3. Communities hoping to expand their oil and gas service and supply sectors

The guide is provided as a handbook but it is not expected that it will be all things to all people; nor will it furnish all of the answers for any one group. However, it is presented as a communications and education medium, focusing on direction rather than information. Generally speaking, northern service and supply businesses have not played as successful a role as they could have in the extraction of northern resources. This handbook has been written to address ways and means for both northern businesses and resource companies to strike a more mutually and economically satisfying approach to partaking of energy sector opportunities.

* * * * *

The sponsor of this handbook, the Northern Alberta Development Council, has a clear mandate to assist the provincial government and northern Members of the Legislative

Assembly to plan for the future of Alberta's North and its people. The Council acts as an advisory body to the Minister Responsible for Northern Development and, through him, assists in the investigation, planning, promotion and co-ordination of practical measures to foster and advance development in northern Alberta.

The Council holds regular meetings in various northern communities which are well publicized in local newspapers and on radio stations in the area. Citizens can actively participate in these public meetings by presenting ideas or concerns in the form of briefs.

The Council operates under the Northern Alberta Development Council Act, which gives it a broad responsibility for promoting economic and social development in northern Alberta and advising the provincial government on policies appropriate to the area. The general purposes that Council wishes to promote are:

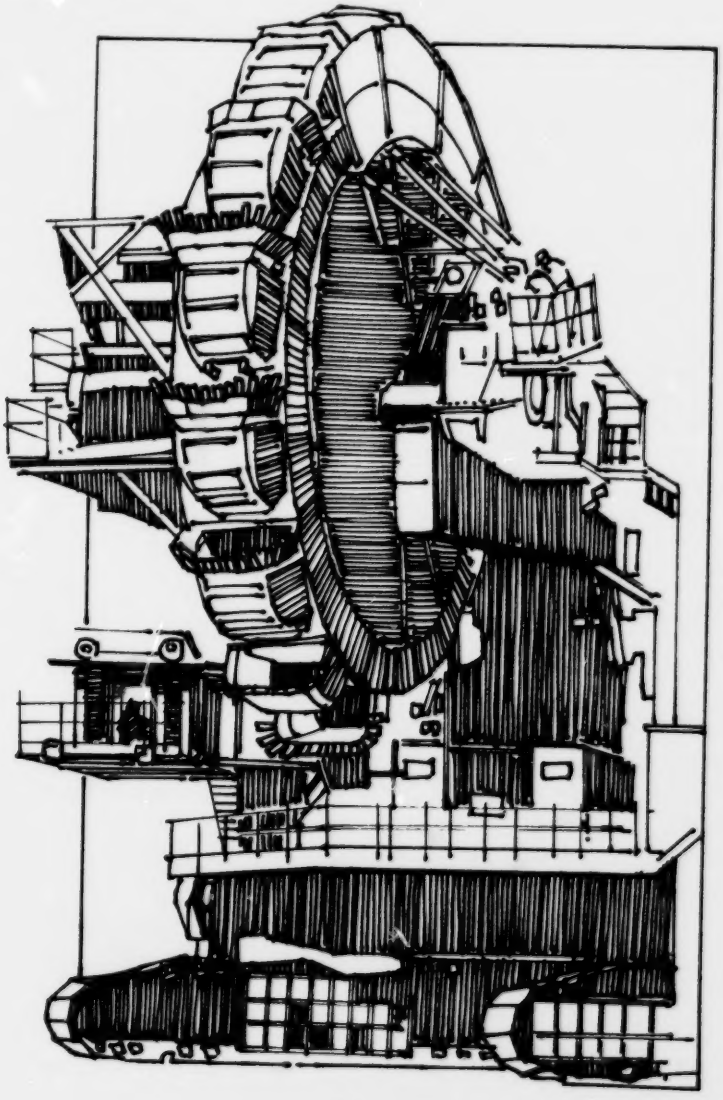
- To enhance economic and educational opportunities within northern Alberta in order to encourage young people to stay
- To enhance the viability of traditional northern small town and rural life
- To support the desires and aspirations of all residents in northern Alberta for a fair share in the wealth and potential of the area
- To support the desires of various cultural and ethnic groups within northern Alberta for maintenance of their distinctive heritage

The area of the province served by the Northern Alberta Development Council is one that is rich in energy and natural resources. The development of non-renewable resources, particularly conventional oil, oil sands, heavy oil, natural gas and coal, constitutes a major component of northern Alberta's economy, along

with agriculture, forestry, tourism and recreation. In the future, the production of thermal and hydroelectric energy also holds great promise for Alberta's North.

The search for oil and gas in northern Alberta has been extensive and costly. The major oil companies, in co-operation with the governments of Alberta and Canada, have been the mainstays of this search. The risks have been, and will continue to be, huge. The companies involved in the oil and gas industry in northern Alberta range from small one-man operations to some of the world's largest multinational corporations.

While conventional oil and gas exploration and development are major factors in the economy of northern Alberta, it is the tar sands that are of greatest long-term significance. They are most important to northern Albertans because of the quantities of oil available, the scale of the existing and planned operations and the number of employees, services and supplies required. A brief overview of the major players in northern Alberta's oil and gas industry follows.



Conventional Crude Oil

The major conventional crude oil fields in northern Alberta include: Nipisi (Texaco, Amoco, Mobil, Shell, Pan Canadian, Suncor and Petro-Canada); Utikuma Lake (Amoco, Gulf, Petro-Canada, Esso, Numac, Pan Canadian, Mobil, Shell, Royal Trust, Hamilton Brothers and Chevron); Red Earth (Union, Numac, Husky, Barnell, B.P., Dome and Murphy); Zama-Rainbow (Canterra, Gulf, Mobil, Esso and Amoco); Swan Hills and Beaver Hill Lake South (Home Oil and Amoco); Virginia Hills (Shell); and Mitsue (Chevron).

Natural Gas

Alberta has always produced, or had the potential to produce, more natural gas than it or Canada needs. Most Alberta gas has traditionally been processed at large plants but the trend in recent years has been to greater use of small plants. This trend is probably the result of improving gas prices which have made it economically feasible to develop small, more remote gas reserves.

Canadian Hunter Exploration Ltd. is operating a "deep cut" gas plant at the Elmworth deep basin field in partnership with Texaco Canada Resources Ltd., Esso Resources Canada Ltd., Petromack Minerals Ltd., Bluesky Oil and Gas Ltd., and Domtar Energy Inc.

The North has other substantial gas fields in addition to the Deep Basin. They include Wapiti (Sulpetro), Progress and Cranberry (Shell), Wembley (Dome), Kaybob South (Chevron), Hythe (Canadian Chieftain), Pine Creek and Windfall (Amoco and Dome), Rainbow-Zama (Canterra, Gulf and Esso), Marten Hills (Amoco and Home Oil) and the Grosmont Reservoirs beneath the Athabasca Tar Sands (Paramount).

Oil Sands

The world's largest and richest single oil deposit, the Athabasca oil sands (containing an estimated 862 billion barrels), is currently being mined and processed by Syncrude and Suncor near Fort McMurray. Syncrude and Suncor Inc. are the lone "integrated" developers of the Athabasca deposit; both produce a refinery feedstock which yields more transportation fuels (primarily gasoline and diesel) than most grades of conventional crude.

Syncrude is an operating company charged with developing and producing oil for its eight owners: Esso Resources Canada Ltd., Petro-Canada Inc., Alberta Oil Sands Equity, Canadian Occidental Petroleum Ltd., Alberta Energy Company Limited; Gulf Canada Limited; Dome Petroleum Limited and Pan Canadian Petroleum Limited. Syncrude is actually four industries in one: mining, extraction, upgrading and utilities.

Gulf Canada Resources Ltd. is undertaking recovery efforts in the Wabasca-Desmarais oil sands area. The Wabasca deposit had been considered for many years to be a part of the Athabasca reserves. It wasn't until the ERCB evaluation of the site in 1976 that it was recorded as a separate deposit.

After 20 years of research, Shell Canada Resources Limited is building the first phase

of a commercial in situ development northeast of Peace River.

In 1983, Esso Resources began the development of a commercial project at the company's oil sands leases near Cold Lake. Esso is employing a step-by-step phased development that is largely dictated by economic and market conditions.

The Lindbergh oil sands area covers about 490 square kilometres southeast of Elk Point. The first producing oil well in the Lindbergh field was drilled in 1978. There are four main operating companies in the Lindbergh field. The largest operator to date is Dome Petroleum, followed by Westmin Resources Ltd., Amoco Canada Petroleum Ltd., and Pan Canadian Petroleum Ltd.

Other significant oil sands players include B.P. Canada Inc. at Wolf Lake; Canadian Oxy with its Manatokan project at Cold Lake; Petro-Canada at Daphne, adjacent to the Alsands lease north of Fort McMurray as well as Texaco and Canterra/Tenneco with pilot projects in the Fort McMurray area.

Heavy Oil

Heavy oil is a thick, sticky, viscous form of oil with a high asphalt and sulphur content. It was discovered in the Lloydminster area in the 1930s and current primary recovery techniques will yield only about six per cent of the total reserve. Within the NADC boundaries, heavy oil is only found at Lindbergh and Bonnyville.

RECOGNIZING BUSINESS OPPORTUNITIES IN THE OIL AND GAS INDUSTRY

By and large, oil and gas companies and their primary contractors do *not* go knocking on the doors of northern Alberta's oil patch service and supply businesses offering opportunities for work. Instead, the onus is very much on the owners and representatives of these businesses to knock on the doors of the majors and their contractors. Of course, finding the "doors" is the first prerequisite to pursuing business opportunities in the oil and gas industry.

The approach to searching for business opportunities in the oil and gas industry may vary with the type of business, the particular oil and gas activity and the geographical setting. For instance, a service company may be required to deal with a field manager on a particular project whereas a supply company may have to approach head office on the same project. However, there are no secrets to doing business with the oil patch. Generally speaking, business opportunities are found through diligent hard work, preparation, dependability and honesty.

How do successful entrepreneurs gain work with the oil and gas industry? Oil and gas service and supply businesses in Alberta's north offer the following advice:

> *"Find the decision makers... the people that can make a yes or no decision."*
>
> *"Understand the nature of the business... you have to provide it right now or they will get someone else."*
>
> *"Keep an ear to the rails."*
>
> *"Build your contacts... keep them up to date... this industry has constant turnover."*
>
> *"Start by getting out on the road and meeting people... visit the rigs... stick your face in front of them and tell them what you can do for them."*
>
> *"When you get a job, deliver."*
>
> *"Use word-of-mouth... build networks... keep intelligence files...*

service and supply companies are smart if they maintain individual well files... use the grapevine."

"This is a personal contacts business... don't advertise in the newspaper."

"Don't make any promises you can't keep... you are as good as your last job... do good work, on time, and you will get more."

"I spend 90 per cent of my time knocking on doors and visiting camps... I sell more groceries than anybody else in this area because I'm the only one that's visible to the oil companies... they are not going to knock on my door... I have to go to them."

"Get your name on suppliers' lists."

"Deliver it now and give good service... or else they will order it in from the city."

"Identify the personality of the company you want to deal with .. then use that to your advantage."

"Recognize how the system works; the oil companies don't hire you; their field contractors do."

"Keep on top of takeovers of smaller companies ...watch promotions and personnel movements in the industry."

"Be aggressive... be tenacious... but use common sense and don't let greed put you in a position where you can't deliver."

"Follow the basics for any business: knock on doors, follow up, be competitive, deliver on time and as promised."

"If possible, it is better to work directly for the major oil companies rather than for their drilling contractors because they pay within 30 days."

In some areas, with highly visible oil or gas projects adjacent to larger communities, it is not difficult to find a door to knock on. In fact, most of the major oil and gas companies make every effort to keep communities surrounding their projects involved and informed. On the other hand, smaller remote communities that are perhaps surrounded by oil and gas activity do not have the advantages of high visibility and the resulting easy face-to-face contact between local businesses and the oil companies or their primary contractors.

How do oil and gas service and supply businesses conduct business with oil and gas companies that are working in the vicinity but are otherwise invisible? The following

five-step plan is offered as a guide.

1. Assess your business.
2. Do your homework on the industry.
3. Do your field work
4. Follow-up to a decision.
5. Deliver.

STEP 1 — Assess Your Business

Two basic steps are involved when conducting an assessment of a business. First, the business must be defined (What kind of business is it?), and its goals and objectives must be determined. (What does the business want to achieve?) Secondly, it is important to identify a list of the known strengths and weaknesses of a business. A thorough knowledge here can significantly raise the chances of business success.

Let us suppose that an imaginary company, ABC Pumps, has conducted the following objective assessment of its business:

Business Definition: ABC Pumps is a supplier of mud pumps, pump drives and mud pump maintenance on drilling rigs.

Business Objectives:

1. To outperform the competition in the areas of pump service and delivery
2. To maintain a front-running position in the industry with reference to the latest in pump technology and maintenance
3. To establish ABC Pumps as the best-known and most reliable business of its kind in its market area
4. To increase gross revenues 10 per cent per year
5. To pursue a diversified client base — to try to avoid having all of ABC's eggs in one basket
6. To be prepared to be mobile

Then, as objectively as possible list the various strengths and weaknesses of the company.

ABC PUMPS: Strengths

1. ABC has an excellent reputation for the quality of its service.
2. ABC is in a strategic location for reaching active fields in the market area.
3. ABC has maintained and expanded its network of contracts and references in the industry.
4. ABC is highly price-competitive with the local competition.

ABC PUMPS: Weaknesses

1. ABC's major pump supplier does not have the best equipment in the business.
2. Large corporate competitors from outside the region can undersell ABC.
3. Labor turnover is a constant problem.

After identifying every possible strength and weakness, prepare another list that identifies possible solutions for each weakness.

ABC PUMPS

Weakness	Possible Solutions
1. Pump supplier does not have the best equipment in the business.	Find out what the industry wants and, all things being equal, go with it.
2. Large corporate competition from outside region can undersell ABC.	Beat outside competition with superior personal service. Fast and dependable service often means more on a rig than a few percentage points difference in costs.
3. Labor turnover is a constant problem.	Train employees thoroughly. Explain the philosophy behind ABC's approach to business in an attempt to get employees to adopt it. Listen to feedback and, where possible, act on it. Be fair, be positive, be consistent. As much as possible, hire local labor. Establish long-term goals for employees and ask for their input. Attempt to create a happy working environment. Employees represent ABC Pumps when they are in the field — lead by example.

STEP 2 — Do Your Homework on the Industry

Regardless of where you wish to conduct your business with the oil industry, homework is a prerequisite to success.

Remember one thing: it is possible to find out what is going on in the remotest area of oil and gas activity. Oil and gas companies are required to file their intentions and receive permission for their activities from the Energy Resources Conservation Board (ERCB). The ERCB will supply this information upon request. Nickle's *Daily Oil Bulletin* publishes, among other things, its *Bulletin* and a weekly *Rig Locator Bulletin*. The *Rig Locator Bulletin* is based on data supplied by the Canadian Association of Oilwell Drilling Contractors (CAODC), and provides information about every rig operating in Canada.

You must do some important homework if you want to do business with the oil companies:

- Keep individual well and company intelligence files.
- Maintain key contacts and follow promotions and inter-company personnel movements.

When talking to oil companies find out:

- What are their intentions for the area served by ABC pumps?
- How many wells do they plan to drill? Where?
- Will they be back next season?
- What is their potential?
- Are they worth pursuing as a customer?
- Do they pay their bills on time?

Most importantly, listen carefully in order to learn:

- What ABC's present and potential customers are planning in the short run
- What is happening with oil and gas prices
- When certain leases expire
- What companies are aggressive and who makes their decisions
- If an occasional trip to head office is necessary

Successful entrepreneurs usually apply common sense and current knowledge to business decision-making. There are ways to do this:

- Scout the competition.
- Ask existing clients about their biases with reference to ABC's equipment line as opposed to other products.
- Concentrate on developing a good network of contacts into a reliable grapevine.

The oil and gas industry is a "word-of-mouth", but "rumor-fed" industry, so exercise caution.

- Join the local oilfield association.
- Socialize with other members of the industry — curl and golf with them, get to know them, gain their confidence.
- Push a philosophy of local service and supply first.

Always remain aware of the fact that oil companies prefer equipment leases to purchases for short periods (usually a year or less) since they are often unsure of their future exploration programs. Northern Alberta-based supply businesses, particularly the small ones, cannot generally afford the investment required in new equipment under these short-term contractual arrangements. As a result, oil companies often purchase directly from southern-based suppliers but this can mean follow-up servicing contracts for northern service businesses. Therefore, homework for service and supply businesses should include the identification of southern-based competitors and follow-up contact with them. *The active entrepreneur who is current and informed has a big advantage over any members of the competition who are not.*

STEP 3 — Do Your Field Work

It is absolutely necessary to have a presence in the field. A great many service and supply decisions, particularly in the exploration and production phases of the industry, are made on the jobsite. As a result, a business must make itself known there.

- Be prepared. The oil patch traditionally acts relatively quickly when work is underway.
- Repeated visits will provide the information necessary to anticipate needs in certain areas.
- Field work feeds and continually updates the knowledge-base that is so critical to survival in what is a risky industry.
- Keep the local job managers aware of what your business can offer and then be prepared to deliver it.
- As the proprietor of a local service or supply company in a remote area, attempt to build a reputation as a business which can be relied on for fast delivery in an emergency.

STEP 4 — Follow-up to a Decision

The business of supplying and servicing the oil patch is highly competitive. Successful businesses maintain a constant presence and continuously expand their territories.

- A sales call requires follow-up.
- A rejection today does not mean that an emergency cannot be satisfied tomorrow.
- Don't necessarily accept "no" as a final answer. A no in the field may dictate the need for a trip to head office.
- A turnover in field personnel will perhaps provide a rejected business with a fresh start.

The history of the oil and gas industry is full of stories about entrepreneurs and their innovative approaches to doing business. Tenacity, hard work and aggressiveness are common traits of the subjects of these success stories.

STEP 5 — Deliver

Your business should never promise what you can't deliver. The grapevine that feeds your business in the industry can also work against it. A business should define its capabilities as accurately as possible and then pursue work within those limits.

- Deliver on time, or earlier.
- Provide follow-up service.
- Ask for feedback from clients and improve your business as a result.

Adherence to the above steps will usually lead to more work. Generally speaking, the demanding oil and gas industry judges a business by its last job and does not suffer failures for long.

THE BUSINESS PLAN

The boom and bust nature of the oil and gas industry makes long-term planning difficult. However, the informed and prepared oil patch participant stands the best chance of survival. Thus, short-term planning is highly recommended. The greatest similarity seen among owners and managers of businesses with difficulties is a general lack of planning. *Planning is probably the most important management tool available to an owner/manager.* A business with no plan, that merely reacts to events as they occur, sometimes does well but probably more through good luck than through good management.

The Business Basics Checklist which follows is not intended to be all-inclusive but, rather, is provided to underline the key fundamentals of starting and operating a business with special emphasis on oil and gas service and supply businesses. Even though the emphasis in this handbook is on the oil and gas industry, it is important to remain aware of the fact that, regardless of the industry sector being examined, a business is a business is a business.

BUSINESS BASICS CHECKLIST

1. SELF/BUSINESS EVALUATION
2. MARKETING AND MARKET ANALYSIS
3. BUSINESS PLANNING
4. FINANCING
5. SOURCES OF ASSISTANCE

1. SELF/BUSINESS EVALUATION

Whether you are contemplating starting a business, purchasing an existing one, or are already in business, the key to success is the entrepreneurial component — you. The idea of owning a small business appeals to many people. However, you must determine why you want to be in business, plan for success and follow that plan. An honest appraisal of self is an obvious prerequisite to going into business. No other person is better equipped for this job than you.

Incompetence, lack of experience, poor management and under-capitalization lead the list of reasons for business failure. On the other hand, successful entrepreneurs most often exhibit the following characteristics:

- Drive and energy
- Self-confidence
- Goal orientation
- Tenacity
- Money-mindedness
- Problem solving capability
- Willingness to take risks

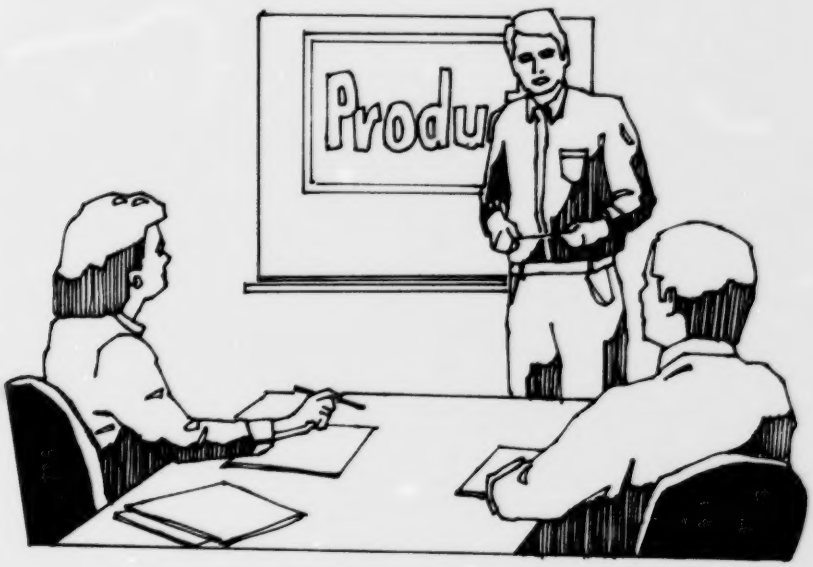
Successful entrepreneurs usually combine positive traits, constructive methods and skill and management abilities with common sense in abundant and relatively unique measures.

Are you tempted to start your own business because of the possibilities of making money and being your own boss? These possibilities attract a lot of enterprising people into the business world. However, the long hours, hard work, risk-taking and responsibilities of being the boss quickly dispel any preconceived glamor. Profit is the reward for satisfying customer needs. But it must be worked for. What are your reasons for wanting to be in business?

What about the business or product? The first step in initiating a business venture is to identify a product and then critically scrutinize its viability, again in a very objective and detached manner. If you plan to start a business, be positive. Believe you are going to be successful. A positive mental attitude can resolve a lot of otherwise formidable obstacles.

2. MARKETING AND MARKET ANALYSIS

Successful marketing involves knowing who your customers are and tailoring your product or service to satisfy their needs. Marketing is not exclusively a business activity but, rather, it is a human activity directed at satisfying needs and wants through exchange processes. The starting point in any marketing strategy is for the marketer to convince the consumer that his product satisfies a need. Marketing does not equal selling; nor does it mean advertising. Marketing is an approach to improving the relationship between an organization and its existing or sought-after clientele.



There are five basic principles underlying the marketing process:

1. Know the characteristics of your clientele.
2. Make full use of the information available to you with reference to the characteristics of that clientele in order to design the best possible marketing program.
3. Fully analyze the competition and never underestimate it — if a competitor has a better package of benefits to satisfy needs, consumers usually discover its existence.
4. Provide adequate resources for appropriately-sized marketing plans.
5. Implement marketing plans with patience.

Market analysis is just as important as a marketing strategy and is intimately tied to it. It is important to keep track of anything that affects activity in the oil and gas industry. Against that background information you should also attempt to assess your local market area. To plan on a seasonal or yearly basis, some assumptions must be drawn about the expected oil and gas activity within your operating area. A local market area prognosis should precede your annual projection.

MARKET AREA PROGNOSIS

A. Review the best sources of information for your immediate market area.

Some of the more important sources include:

- Major oil and gas companies working in the immediate area
- Primary contractors working in the immediate area
- Alberta Oil Sands Technology and Research Authority (AOSTRA)
- Alberta Energy and Natural Resources
- Area land owners
- *Oilweek Magazine* and other oilpatch publications
- CAODC's *Rig Locator*
- Nickle's *Daily Oil Bulletin*
- The grapevine
- Oil industry associations, e.g., IPAC, CPA, etc.
- Municipal administrators and economic developers
- Canada Oil and Gas Lands Administration (COGLA)

Utilize these sources of information and generate a "best guess" scenario for the coming oil patch season or year. What does this projected scenario mean to your business?

B. Define the kind of activity that is occurring in your area.

Resource Activity:

- Natural gas
- Conventional crude oil
- Oil sand
- Heavy oil
- Seismic
- Gas plant construction
- Upgrading
- Other

Recovery Techniques:

- Mining — Dragline
  — Bucket wheel excavator
- In Situ — Cyclic steam stimulation (huff-and-puff)
  — COFCAW (combination of forward combustion and water-flooding)
  — Steam drive
  — Steam flood
  — Fire flood
  — Air
  — Other

Oil and Gas Industry Segment:*

- Exploration
- Production
- Refined petroleum
- Petrochemicals

* In northern Alberta, the first two sectors of the oil and gas industry, exploration and production, are of prime interest. They are both relatively labor-intensive and are the most common sources of demand for northern-based labor and service and supply businesses.

C. What possible roles can your business play in the particular resource activity in your market area? What jobs are associated with these activities?

In terms of employment, exploration and production are the largest segments within Alberta's oil and gas sector (accounting for the most firms and jobs in northern Alberta) and are the major engine of growth.

EXPLORATION

Oil and gas exploration consists of two major activities: seismic surveys which are undertaken to identify potential reservoir areas and exploration drilling to establish whether these areas actually contain oil or gas.

SEISMIC

A typical seismic crew consists of about 50 persons performing the following kinds of jobs:

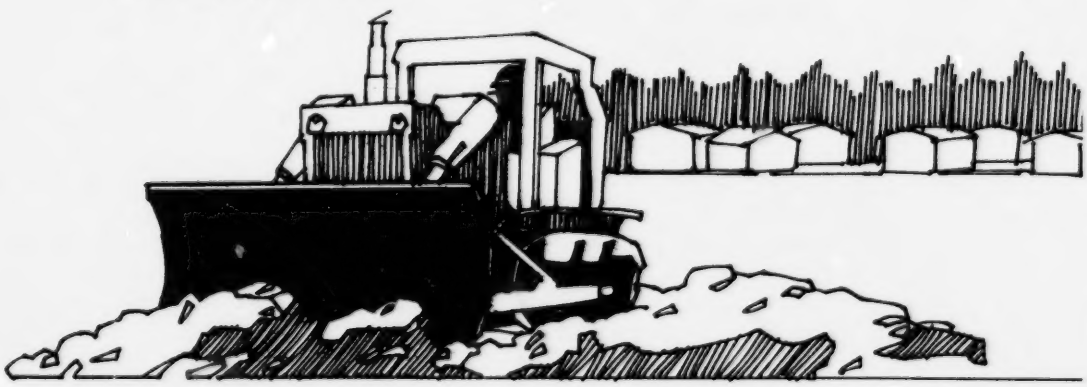
Party manager
Observers
Shooters
Shot hole drillers
Vibrator operators
Line truck drivers
Seismic helpers
Geophysicists

Seismic work also requires survey crews, usually in the following kinds of jobs:

Party chief
Instrument persons
Survey helpers

Equipment for seismic surveys includes drilling and recording equipment mounted on trucks or tracked vehicles, water supply and crew trucks, and a portable camp that keeps pace with the crew. Typical equipment requirements of an overall seismic operation would include the following:

- Line Clearing:
  Two to eight bulldozers
  Support trucks (fuel, water and supplies)
  Camp
- Drilling and Recording:
  Three to six drills mounted on three-ton, four-wheel drive trucks or tracked vehicles
  Four line trucks (3/4 to three-ton)
  One shooting truck and one recorder truck
  One bulldozer
  Crew and support trucks



Seismic activities also generally require the following kinds of goods and services:

Drill bits
Fuel and lubricants
Foodstuffs
Freight transport
Dynamite and caps
Supplies
Expediting services
Transportation (misc.)
Communication
Parts and repair services
Recording paper
Magnetic tapes
Lathe and flagging

EXPLORATION DRILLING

Exploration drilling is a site-specific activity in terms of well-depth, geology, site accessibility and so on. As a result, there is no typical scenario. However, the employment and business opportunities generally associated with this phase would be as follows:

- A construction phase usually must precede bringing a drilling rig in so that an access road, site clearing, grading and levelling may be provided. Construction offers the following kinds of employment opportunities:

  Heavy duty equipment operators
  — bulldozer operators
  — power shovel operators
  — scrape operators
  — front-end loader operators
  Dump truck drivers
  Contractors
  Surveyors

- A significant transportation component usually follows the construction phase. Drilling requires large tonnages of equipment and operating materials. Thus, air, water and surface transportation jobs are associated with this phase.

- The actual drilling phase includes rigging up and down, rig moving and maintenance. A drilling rig crew usually has the following positions:

  Rig manager (tool pusher)
  Driller
  Derrickhand
  Motorhand
  Floorhand
  Leasehand

- Service and supply lists for the drilling phase are very extensive. However, a generalized category list can be summarized as follows:

  Drilling rig
  Camp catering
  Drill bits
  Cementing
  Logging & evaluation
  Testing
  Drilling fluids
  Casing
  Downhole tools & rental
  Support equipment
  Communications, weather forecast
  Fuel

PRODUCTION

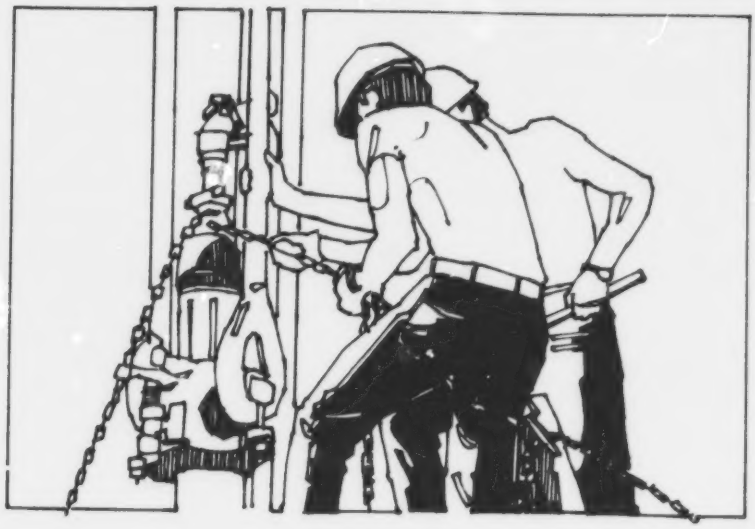
The production phase entails several new activities. These include well completions and servicing, field facilities, and oil and gas pipelines.

To bring a well into production, a number of additional operations must be carried out after the case hole is drilled. These operations are listed below:

Installation of production tubing and packers
Perforation of the production casing and tubing
Chemical or physical stimulation of the producing formation
Installation of pumping and wellhead equipment (downhole pump, sucker rods, pumpjack, motor and valves)

Well completion operations are almost always carried out by a service rig which is smaller and less expensive than a drilling rig. A typical well completion needs-profile follows:

Road and site preparation
Rig and miscellaneous transport
Logging (open hole & cased)
Cementing and cementing services
Casing and attachments
Tubing and attachments
Wellhead
Other equipment and services
Engineering supervision & administration
Service rig
Stimulating & perforating
Pumping equipment



A service rig crew is the same as that of a drilling rig with the exception of the driller position, known as a service rig operator, on a service rig. Other employment opportunities in the production phase include:

Wireline operators
Wireline field supervisor
Oil well perforators
Roustabouts
Hoist operators (well service operators)
Well pullers (well service operators)
Derrick workers
Acidizers
Rotary drillers
Oil well cementers
Well service pump equipment operators
Core drill operators
Drill stem testers
Down-hole tool operators

It would be next to impossible to provide an exhaustive list of the supplies and services required in the production phase of the oil and gas industry. A partial list follows:

Surveying
Oilfield construction and roadbuilding
Truck transport (muds, chemicals, water, drilling rigs, tanks, etc.)
Air transport
Camp rentals
Welding and related supplies
Well drilling and servicing
Perforating
Stimulation
Testing
Logging
Safety and consulting
Wireline and hot oil service (dewaxing)
Electrical and mechanical installation and maintenance
Cementing
Inspection of drill pipe and collars, pipe straightening
Equipment rentals, including:
- 400 and 210 barrel tanks
- pumps, compressors and generators
- BOPs
- boilers
- drill pipe and collars
- vehicle and construction equipment rental
- incinerators
- safety equipment
- power tongs
- oilfield tools
- wellhead equipment

The foregoing information represents only a sample of the employment, service and supply opportunities associated with the exploration and production phases of the conventional oil and gas industry in northern Alberta. Just as importantly, the labor-intensive oil sands recovery processes offer a wide variety of potential opportunities for individuals and business alike. For instance:

- Oil sands mining operations
  - Dragline operator
  - Bucketwheel excavator operator
  - Conveyor operator
  - Helpers
- Bitumen extraction plant positions
  - Bitumen extraction plant operator
  - Control room operator
- Bitumen upgrading plant positions
  - Bitumen upgrading plant operator
  - Control room operator

Of course, a wide variety of other job opportunities can be found throughout the oil and gas industry in northern Alberta. Some examples of the kinds of positions generally found in every geographical area include:

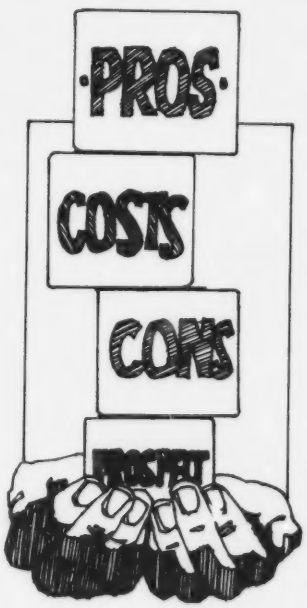
Drilling engineers
Production engineers
Pipeline engineers
Socio-economic and community liaison personnel
Landmen
Petroleum geologists
Exploration geophysicists
Oil and gas services sales representatives

D. Determine the influence of government incentives, land leases, permits to prospect, and other regulatory directives in force in your market area.

- When will current drilling incentives run out?
- What about shut-in oil or natural gas?
- Are leases expiring soon?
- What special incentives exist in your area?
- How long will the existing federal-provincial energy agreements be in force?

E. Project the domestic and international market prospects for the particular commodity resource being produced in your area.

- What is the current cost-per-barrel of producing oil or gas in your area?
- What is the current world price for oil?
- What government incentives exist to influence the above ratio?
- What are the short-term prospects for prices?
- What influence are global energy industry factors having on your area?



F. List any other non-energy projects that are slated for your area and project the possible roles that your business can play in those projects.

An objective analysis of information gained from the foregoing exercise will provide you with a

short-run market area prognosis. Then make an activity plan for your business that conforms to your "best guess" projections. Again, seek help with this planning process if desired but make sure that you, the owner/manager, agree with and understand the projections and their implications for your business.

A detailed cash flow projection with supporting notes will suffice as a short-term business activity plan. In the final analysis, the most important ingredient in this process is common sense. Does it make sense to you? Are you comfortable with your projections? Can you make confident decisions based on your prognosis?

Remember that projections into the future represent "crystal ball gazing" at best. However, your projections, tempered with all of the information that is available to you, are better for your business than those of anyone else.

3. BUSINESS PLANNING

"Planning reduces the risk of poor performance."

Jim Carbury
Syncrude Canada Ltd.

The strongest piece of advice contained in this chapter on business basics is to develop a detailed business plan whether you are starting a business or are already in business.

The business plan is a written summary of what you hope to accomplish by being in business and how you intend to organize your resources to meet your goals. It is the guide book to operating your business and measuring progress as you do. A business plan encourages realism instead of over-optimism. It helps you to identify your customers, your market area, your pricing strategy and the competitive conditions under which you must operate to succeed. By committing your plans to paper, your overall ability to manage your business will improve. You will be able to concentrate your efforts on any deviations from the plan before conditions become critical.

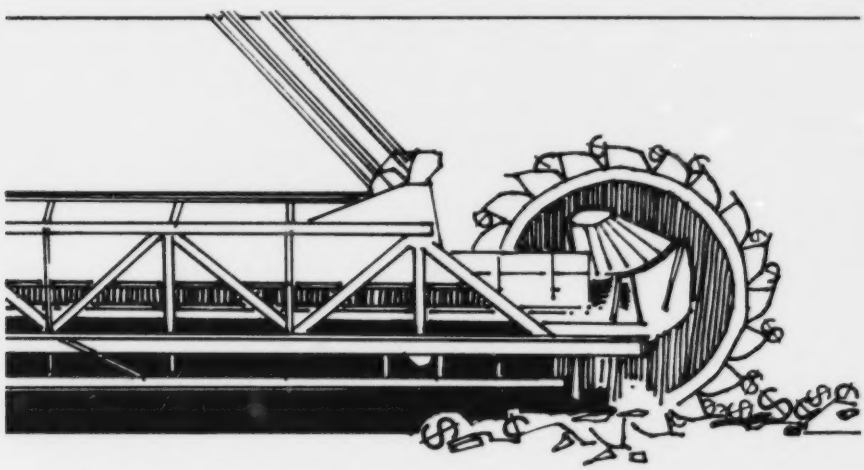
The business plan establishes the amount of financing or outside investment required and when it is needed. A well organized plan makes it much easier for a potential lender or investor to assess your financing requirements, as well as you as a business manager. The financial section of your business plan should contain one of your most valuable management tools, a cash flow projection. A cash flow is a forecast of when you expect to receive cash from your sales and when you expect to pay your bills.

But, unless you understand the purpose of your plan and are prepared to be guided by it, you might as well not have one. The real reason is to satisfy yourself that your existing or planned business is sound. So prepare the business plan yourself, but seek guidance if you need it. In the final analysis, don't trust anyone but yourself. Rely on your own instincts. After all it is, or will, be your business and you are in it alone. Thus, *understand your business plan.*

Planning starts with goals and objectives, both personal and business. What amount of return are you aiming for with your business investment in order to attain your personal goals?

Many a business epitaph reads: "We didn't think of that." Planning is critical and must be realistic. The results tend to be the same for bad plans as they are for no plans. Keep your plan simple. Similarly, keep your bookkeeping and monthly statements simple and understandable. They are a key management tool. It is, after all, your business, not your accountant's. Planning may be "postponable", but is essential to success.

A suggested outline for a business plan follows. The format presented here is not important. There are a myriad of formats available. What is important is the contents of the business plan.



Suggested Outline for a Business Plan

Cover Sheet: Name of business, names of principals, address and telephone number of business

Statement of Purpose

Table of Contents

I. The Business
- A. Description of business
- B. Market
- C. Competition
- D. Location of business
- E. Management
- F. Personnel

II. Financial Data

A. Sources and applications of funding
B. Capital equipment list
C. Balance sheet
D. Breakeven analysis
E. Income projections (Profit and Loss Statements)

1. 2-year summary
2. Detail by month for first year
3. Detail by quarter for second year
4. Notes of explanation

F. Projected Cash Flow

1. Detail by month for first year
2. Detail by quarter for second year
3. Notes of explanation

G. Historical financial reports for existing business

1. Balance sheets for past three years
2. Income statements for past three years
3. Tax returns

III. Supporting Documents:

Personal resumes
Job descriptions
Personal financial statements
Credit reports
Letters of reference
Letter of intent
Copies of leases
Contracts
Legal documents
Anything else of relevance to the plan

When your plan is completed, you are ready to put it into action. Keep in mind that action is the difference between a plan and a dream. Once you have implemented your plan, remain alert for changes. In the oilpatch, it is vital to stay on top of changing conditions and adjust your plan accordingly.

4. FINANCING

By now, you know what you want to do, but you may be uncertain as to where the money is going to come from. There are generally two types of financing available: equity, and debt or borrowed capital.

The money you put into your business is known as equity. As time progresses, earnings will be returned in the business to increase equity.

Borrowed money can be provided in the form of a shareholder's loan, fixed asset and working capital financing. Of course, the renting or leasing of assets is another alternative.

Most of us approach the subject of borrowing money with a sense of fear and a feeling of inferiority. Once again, the business plan is the key to your loan proposal. Lenders are primarily interested in lending money to businesses that exhibit a strong potential to repay the loan. Nevertheless, they will demand security for most small business ventures. Even in the case of incorporated, limited liability companies, personal guarantees are the order of the day.

5. SOURCES OF ASSISTANCE

Being an owner/manager of a business can be a lonely existence. As was stated earlier, when you have your own business, you are really in it alone. However, that feeling

of loneliness can be dissipated somewhat. Consider the following steps.

- Join your local chamber of commerce and meet the other independent business operators in your area.

- If you don't have a chamber, interact with your business neighbors, your customers and your suppliers.

- Make effective use of local professional services. They can greatly enhance the stability of your business. Your accountant, banker and lawyer all have a vested interest in your survival.

  — An ongoing relationship with a professional accountant who knows you and your business will probably save you many times the accounting fees that you will pay.

  — Treat your bank manager as a part of your business, somewhat as you would a shareholder. Don't let your banker worry about you. Keep your banker informed so that confidence can be vested in you. Try to avoid greeting your banker with surprises.

  — Your lawyer is also a key player in your business. The whole subject of business management and the law, including all of the legal documents you encounter, is one that is highly specialized.

- In addition to professional services, a long list of oil and gas industry associations as well as local, provincial and federal business assistance and counselling services are available. Some of these sources of assistance are indicated in the Appendix.

PREPARING AND SUBMITTING CONTRACT BIDS

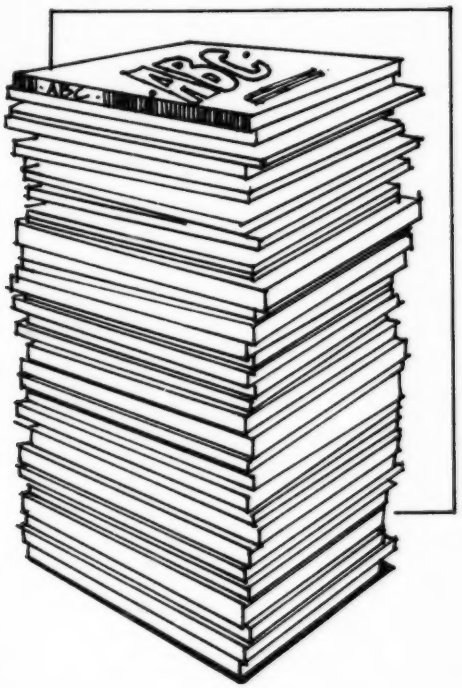
Most major oil companies and their primary contractors keep bidders' lists. Of course, in many cases, northern-based service or supply companies may never see the oil company that hires them. The primary contractors often provide the only physical communication between northern businesses and the oil patch.

The first prerequisite to bidding is to have the name of your business entered on oil and gas company bidders' lists. The second necessity in this regard is to utilize your grapevine to its fullest potential. *Remember, the onus is on you to make sure your business has a chance to bid.* If a rumor about an expected call for bids is circulating, follow it up to ascertain its authenticity and your chances of bidding. Thirdly, try to sit down with the manager responsible for reviewing the bids. Make your presence known. Find out what the potential client really wants. Tell the bid-letter what you and your business are capable of.

The successful inclusion of your business on bidders' lists is largely up to you. Just as with the approach you must adopt to obtain work in the oil patch, gaining a position on bidders' lists calls for homework, perseverance and an honest appraisal of your company's capabilities.

Most major oil and gas companies and their primary contractors have prequalification forms for applicants wishing to be on their bidders' lists. In the majority of cases a company calling for bids will call only upon those on its list.

STEP 1 — Get on Bidders' List



Certain basic information will be required in most situations where a business applies to be entered on a bidders' list. It would serve you well to keep this information current and available. An example of the kinds of information to have on hand, with an example for ABC Pumps, is as follows:

BIOGRAPHICAL

Business Name:
ABC Pumps

Address, Telephone Number:
P.O. Box 123
Municipality
Northern Alberta

Contact Persons:
Mr. B.A. Smith (Owner & President)
Mr. A.P. Jones (Sales Manager)
Mr. C. R. Clark (Service Manager)

BUSINESS DESCRIPTION

Types of Services or Goods Offered:	ABC Pumps sells and services mud pumps for drilling rigs.
Machinery and Equipment Available:	ABC Pumps carries centrifugal, floating, vertical hole, fill, pit and reserve pumps. ABC is an official agent for both Whitney and Ajax pumps.
Skilled Personnel Available:	ABC Pumps maintains a fully qualified staff of technicians and salespeople. We service what we sell, as well as providing full installation and operational support. ABC has the capability to service almost any pump used in the oil and gas industry.
Preferred Work Locations:	ABC Pumps will bid on jobs that are to be let in western Canada and the Territories.

ADMINISTRATIVE DETAILS

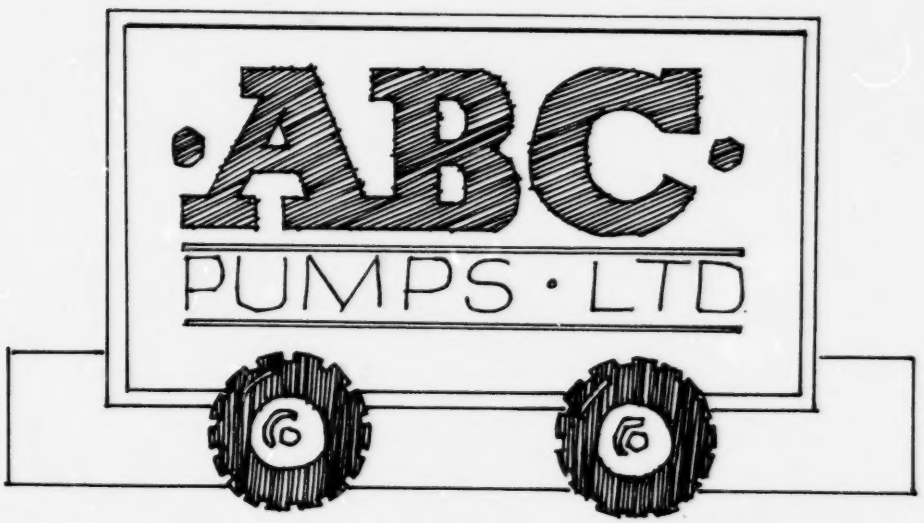
Company Ownership:	ABC Pumps is wholly owned by Mr. B.A. Smith and his wife Mary Smith.
Payroll Schedule and Crew Rotation Practices:	ABC's payroll schedule is every second Friday, all year. ABC will adapt its crew rotation to suit a client.
Financial Information:	ABC Pumps has a $1-million line of credit that is not being utilized at this time.
Bank Information:	Main Branch Alberta Trust Company Limited 500 Bank Street, S.W. Calgary, Alberta
Workers' Compensation Account #:	WCB 427805189-30246
Insurance Coverage and Policy #:	ABC Pumps carries Liability, Service Vehicle, Equipment, Business Owner's Life, Health Care and Workers' Compensation Insurance. All policies are underwritten by the Canadian Oil Company Insurance Corporation. ABC's Insurance Agent is Northern Insurance Co. in Peace River. Policy # 987654321.

Bonding — Type and Coverage:	ABC Pumps carries a Bid Bond that applies to bids over $25,000. ABC has been approved for Performance Bonds up to $500,000, to a maximum of 50% of a contract price. Similarly, ABC pumps has been approved for payment or labor and materials bonds up to a maximum of $250,000.
Labor Relations:	ABC Pumps has always enjoyed excellent labor relations. The company is a non-union shop that has maintained pay and benefits packages that are competitive with all union agreements that are applicable.
Indicate Joint Venture Possibilities:	ABC Pumps is prepared to consider joint venture possibilities on any bids. The company has a long history of joint venture undertakings. References in this regard can be found with: Esso Resources Ltd., Cold Lake Canadian-Hunter, Grande Prairie Shell Canada Resources Ltd., Peace River

REFERENCES

Business Work History:	ABC Pumps' clients have included: Gulf Canada Corporation Shell Canada Resources Ltd. Canadian-Hunter Exploration Ltd. Dome Petroleum Ltd. Canadian Bechtal Ltd. Esso Resources Canada Ltd. Bow Valley Industries Ltd. Westmin Resources Limited Bumper Development Corporation Ltd.
Highlights of Work Performed:	ABC Pumps has always fulfilled its contract obligations, both singly and in joint venture situations. The company has operated under exclusive contracts to be the sole supplier and servicer for the total drilling operations of some of its clients. This has, at times, included in excess of 350 operating and reserve pumps.

In summary, the foregoing kinds of information are generally required in order to get on most bidders' lists. Remember that your responses on bidders' list questionnaires reveal a great deal about your business and its character. Avoid the negative. Under *Types of Services or Goods Offered* provide a short and succinct overview of your company's product line or range of services. Emphasize your areas of strength and the limits on your capabilities. With reference to *Preferred Work Locations*, make this a positive response. Remember, this industry is a mobile one — those who are static will be left behind. In response to this subject heading, emphasize your business's willingness to go anywhere (if it is true); otherwise, omit this area of discussion.



Bonding:

Bonding appears to be a prerequisite to businesses being placed on most bidders' lists. As a result, it is best to have it in advance of bidding. Bonds are for the protection of the owner of the project that your business contracts to do work for. It is not insurance but rather a form of guarantee on the services or goods your business provides. If your business is a successful bidder, it is responsible for carrying out the terms of the contract. Only in the event of failure to honor the contract does the bonding company become involved. If a default occurs and the bonding company suffers a loss, it has the right to recover the loss from your business. The project owner may require any one or more of a variety of bonds, such as bid bonds, performance bonds and payment bonds.

Joint Venture Possibilities:

If your business is small and you keep on missing out on contracts to larger businesses, you may want to indicate your willingness to take in joint venture partners on certain bids. Such an approach might enhance the chances of you getting work for which you might not have been seriously considered otherwise. Also, if your business is new and your lack of a long track record with its inherent implied experience and references is a detriment, then a joint venture with an experienced firm is highly recommended. Joint ventures serve to lower the risk on an individual basis and they will perhaps expose your business to the operational procedures of a larger and more experienced firm.

As an example, small northern Alberta-based business involvement in such specialized operations as logging, testing, perforating and stimulation could probably be best achieved through joint ventures with established southern companies. Joint ventures of this kind offer advantages to both participants. For the northern firm, it would make it easier to transfer technology and assist in raising the required capital. The southern participant would gain a northern base for operations.

Business Work History:

Provide a short, one-to-two-sentence description of jobs completed, the name of the client with a contact reference, the location of the project and the dates defining its duration. If you have already conducted work for this company highlight it and the project managers. Again, constant turnover in this industry may mean that the people that count have not heard of your business. Take nothing for granted.

STEP 2 — The Invitation to Bid

The bidding process is initiated with an invitation to bid. Oil and gas companies generally buy goods and services through a purchasing office or agent. These agents, or buyers, may be located in the field or in head office. Whatever their location, it is important to pinpoint it as well as the individuals in charge of projects in your market area.

People with authority to purchase goods and services generally do so through one of three ways:

1. An order
2. A quote
3. A sealed bid

- An order without competition is obviously preferable. A great deal of business out in the field is accomplished this way. It serves to underline the importance of making and maintaining contacts, having a presence around work sites and delivering on time.

- A quote is very common to the goods supplier in the oil and gas industry. The operator of a northern oil patch supply business may be asked to quote a price (via the phone or face-to-face) for almost every sale. This is largely because project managers in the field must usually operate within a budget perhaps with the added incentive of an escalating bonus based on good budget performance. Thus, every purchase is delayed as long as is possible and subjected to close scrutiny.

- The *Invitation to Bid* is generally sent to businesses on a company's bidders' list that can satisfy the prerequisites for the particular work being offered. The Invitation to Bid will outline the terms of reference for the bid, that is:

  1. A description of the goods and/or services required as well as a delineation of the specific location where they are to be supplied
  2. A time frame within which the goods and/or services are to be provided
  3. A list of the information and support documents that must be provided by the successful bidder prior to providing the required goods and services
  4. An outline of the structure that the bid should adopt including subject areas and specific information headings
  5. Any special instructions unique to the particular bid

Bids can take a great deal of time and as a result they cost money. *It is possible to help yourself in the bidding process by preparing in advance most of the general information*

that will be common to all bids. This information file should be kept current if it is to be of any value. The success rate in bidding for any business is well below one-in-four. As a result, an aggressive business will want to bid on every opportunity possible. Hence, a *base bid information file* can save much time. A typical file should include the kind of information outlined under Step 1.

STEP 3 — The Bid

Invitations to Bid will usually identify all information required to respond in kind. However, sometimes the invitations are not comprehensive enough. If your business has made the invited bidders' short list and you have decided to compete, arrange for an interview with the purchasing agent or person responsible for the bid.

It helps to discuss the Invitation to Bid in detail in order to clean up any ambiguities. Also, it gives you an added chance to sell yourself and your business. This preliminary interview may be the factor to swing the decision in your favor should there be small choice among two or more submissions.

When bidding, adhere to the following rules:

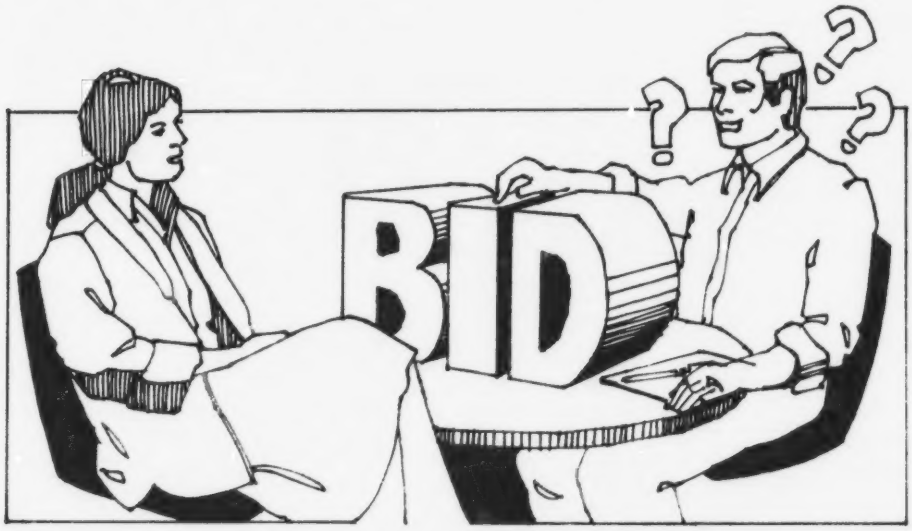
- Always answer all questions. If you have a better idea, first answer the question and then suggest the better idea. Similarly, general specifications do not always suit local conditions. Again, respond to the question and then point out any discrepancies.

- Make sure that your research is thorough before submitting your bid.
- Check and double-check all financial data.
- Your bid is a reflection of your business and its ability to perform. Therefore, submit a comprehensive bid package that is error-free and on time.
- Do not make any promises that you will be unable to fulfil.
- Use all possible resources available to you. Industry experts, your accountant, banker, lawyer, government agencies and departments are all valuable resources.
- Employ all relevant guides provided by the industry. For instance, Nova's *Basics of Bidding Manual* and the comprehensive guide put out by the petroleum industry's Canadian Market Opportunities Program are both excellent resources.
- Before bidding on a job, a business should carefully measure its capacity to complete the job on schedule and within the required specifications. Beware of overextending yourself out of business.
- Bid with confidence.
- Finally, common sense dictates that you do not attempt to win a bid at any cost. Bidding too low may win a few contracts, but it will also inevitably put your business in a precarious position. Similarly, bidding too high will result in no awards, and the same precarious position. If you win a bid, win it at your price.

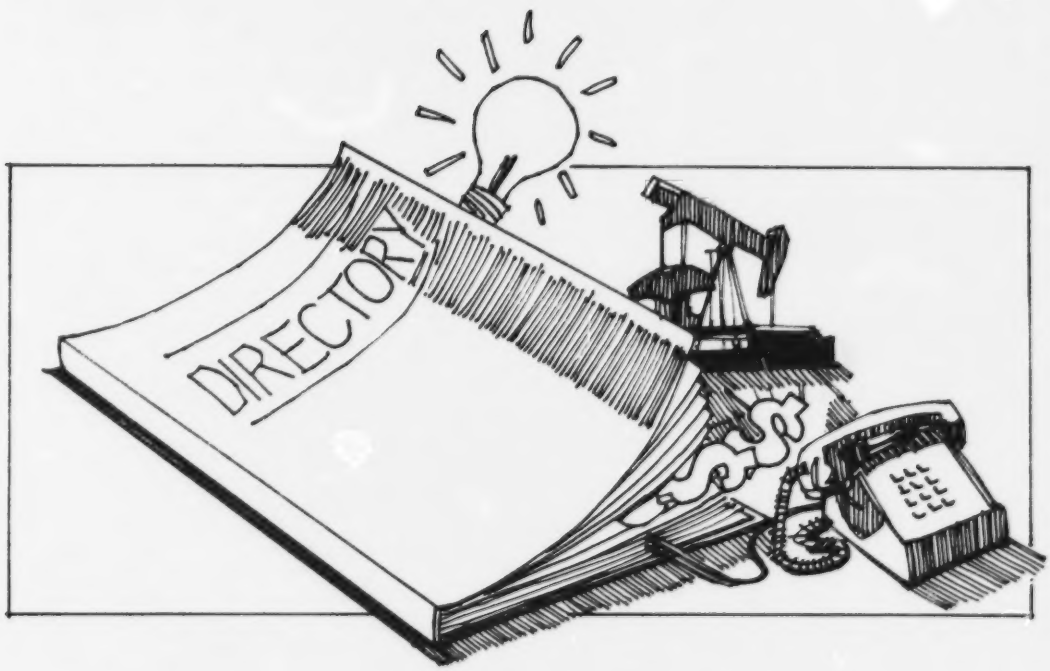
STEP 4 — Debriefing

- If you are a successful bidder, live up to the terms of your bid and your client's contract.
- Make sure that you as well as your customer are satisfied with your performance.
- Attempt to arrange a debriefing interview immediately upon receipt of a rejection so you can discuss your bid while it is fresh for both you and the purchaser Arrange for an interview with the decision-maker or purchasing agent to review the strengths and weaknesses of your bid.
- It is most important to know why you were rejected. Only then can you attempt to resolve any weakness on the next opportunity to bid.
- If you are an unsuccessful bidder, learn from the process. Then employ what you have learned as a guide the next time you bid.

- Ask questions.
- Show flexibility.
- Tell them you will be back. Thank them for the opportunity to bid and tell them you would appreciate being considered again in the future.
- Attempt to establish in general terms how well you placed relative to the competition.
- Never criticize any of your competitors in front of a purchaser. If you are unable to compliment them, avoid comment totally.



A COMMUNITY BUSINESS PROFILE AND DIRECTORY



Communities have a vested interest in businesses located within their boundaries. They want them to survive and would prefer them to grow. The municipality itself has a major role to play in stimulating existing businesses, removing barriers to growth, encouraging new businesses to start up, and serving as a facilitator or contact between its resident businesses and other economic activities going on within its sphere of influence — *there must be a total community commitment*. More importantly in northern Alberta, community leaders are often required to play the role of catalyst and interpreter between large corporate beings and small local businesses that differ in fundamental areas of need, motivation, goals, culture and satisfaction.

Communities need a change of emphasis and attitude in their role as economic developers. Many communities are changing but many others have yet to recognize the need. Progressive communities are abandoning the hunt for those elusive "smoke stacks" in favor of supporting and nurturing their existing economic base. *Communities are discovering that concentration on keeping what they have is proving to be far more successful than the highly competitive and risky pursuit of new industry.* Fully 80 per cent of new growth is derived from within the community. Competition on the global stage is beyond the realistic grasp of most small communities. Instead, many more rewards can be gained from supporting and assisting existing businesses.

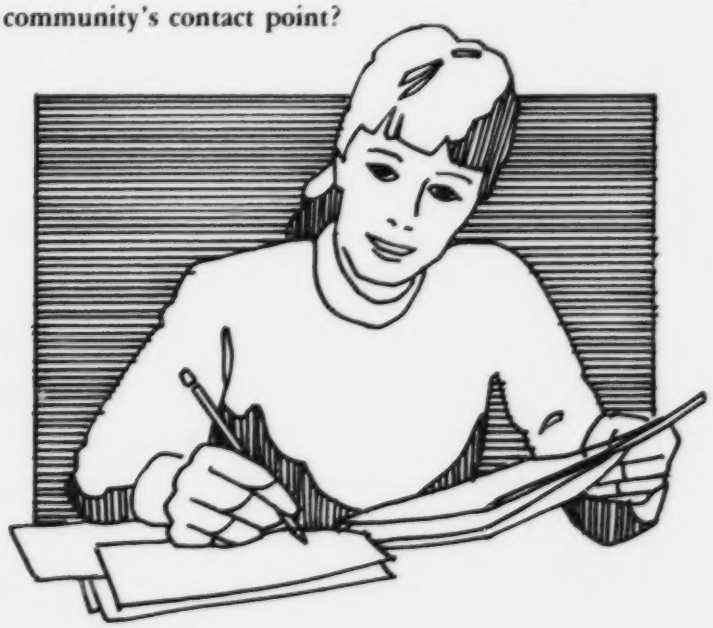
Who shall lead?

Economic development leadership at the community level originates with many different groups and individuals, each one driven by diverse motives and sometimes conflicting agendas. The number of interested parties and separate plans tends to increase with the size and maturity of the community involved. Nevertheless, local leadership is extremely important as a visible aid to economic activity. Local leadership should be encouraged, regardless of the source.

- Some communities must rely to a greater extent upon the leadership and consensus-building capabilities of the local chamber of commerce or economic development committee of council.

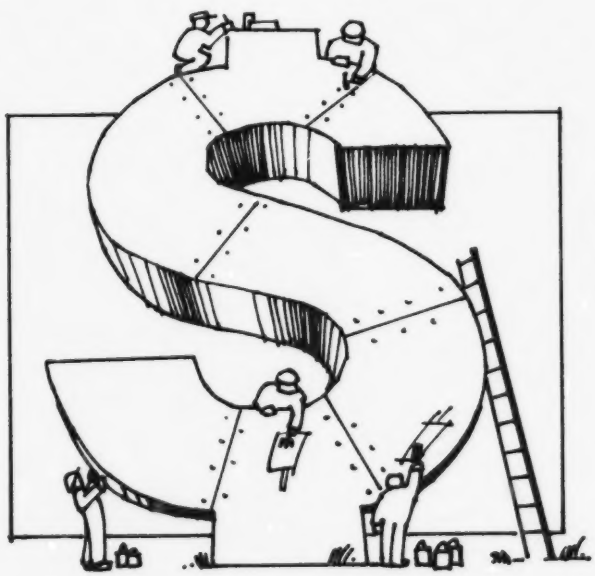
- In smaller communities, perhaps one individual, the local 'mover and shaker', will assume the leadership role. That individual may well have personal ulterior motives but they are not an issue if the economic health of the community is enhanced by that leadership effort.

Where is a community's contact point?



When oil or gas companies move into an area to conduct extensive work, they usually seek to establish a formal liaison with area communities. *More often than not, they do not know who to approach.* The onus is on the communities to identify formal ties with the industry.

- Communities should initiate forums with the industry and invite all possible actors and interested groups to participate.
- Community forums allow the industry to seek co-operation and input for its planned activities, provide information as required and *identify possible opportunities for local businesses and individuals.*
- Progressive communities will provide the communication and contact on behalf of their businesses and citizens. They will ask contractors and oil companies to consider local businesses before looking elsewhere.



If a community sincerely wants to improve its economic well-being and recognizes that economic development requires a massive amount of volunteer community time, energy and resources, it must make a solid commitment to that effort.

Local economic development can be defined as an improvement in the material well-being of people residing in a local area. If a program is to be successful, it must have the firm backing of the community. It must be the consensus of local leaders that economic development provides an excellent way to ultimately benefit the community.

Lastly, there must be consensus with reference to the way economic development will be achieved. Increasingly, communities are deciding that support and improvement of the existing economic base is the best way to enhance economic well-being.

* * * * *

It has been established that communities must help to make the interaction of local businesses with the oil patch easier. They can considerably enhance that process by adding one meaningful economic development tool — *A Community Business Profile and Directory*.

Each community has its own individual array of businesses and entrepreneurs. Similarly, each business has its own attributes and unique characteristics. The oil and gas industry needs to know the goods and services available in a community and where to look for them. A profile will provide an overview of what is available; a directory will indicate where they can be found.

Why should a community get involved in a business profile and directory?

To a large extent, the economic health of local businesses dictates that of the greater community. All community residents have a stake in their local business sector. Local businesses pay taxes, create jobs, provide goods and services, support community recreational and cultural events and perform many other valuable roles for the community. It is in the community's best interest to support its local business sector. That means that the elected representatives have an obligation to lead or co-operate in that support role.

When any major economic activity takes place adjacent to a community, there is some impact. The spin-off and multiplier effects created by adjacent energy sector activity have potential benefits for every individual and business in a community. Increased local employment and business activity tend to benefit all existing businesses and the community-at-large. Thus, it is in the community's best interest to adopt an aggressive stance toward energy companies working in their midst. The positive economic results are usually directly related to the amount of effort made by the community and its business sector.

Community Business Profile and Directory

The Profile-Directory should be comprehensive, current, informative, flexible and, if possible, professionally packaged. First, a community must clearly identify individuals or organizations for energy companies to contact. Secondly, and ideally, the community should supply energy companies with information and data about themselves and their business community through this contact. A community-business profile is a selling document first and foremost, and this must be kept in mind when putting it into its final format. Who should be responsible for its production? How should it be financed? What information should be included in the profile-directory?

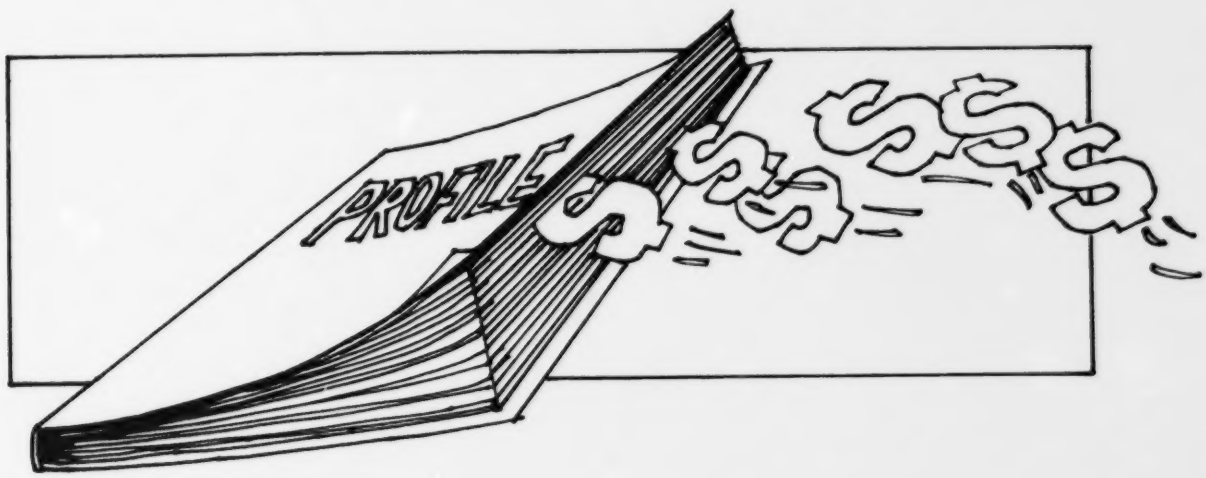
Who should be responsible for its production?

- Where they exist, the general mandate of chambers of commerce would allow them to play a lead role in a project of this nature.
- Again, where they exist, economic committees of council should be producing a local business directory anyway.
- In small and remote communities with no economic development committee or chamber of commerce, the onus is on the individual businesses to band together and produce a guide. More often than not, lone individuals must spearhead projects of this nature on behalf of their fellow business operators.

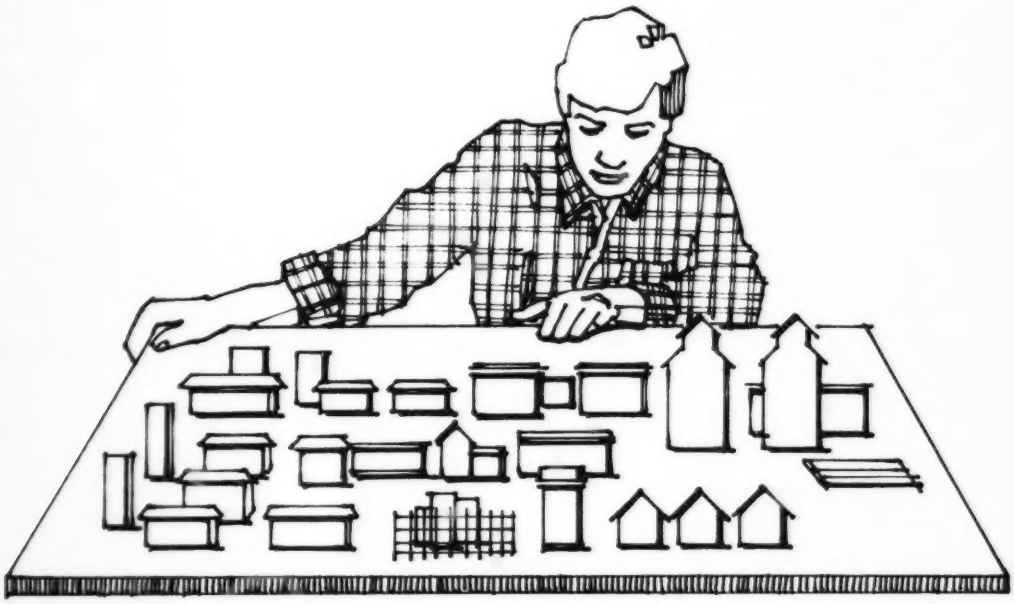
There is a great deal of assistance available to small communities which show initiative for projects of this nature. The staff of the Northern Alberta Development Council and the Regional Business Development Branch (from Alberta Economic Development) are available in an advisory capacity on a limited basis. In addition, many faculty members from the northern community colleges have shown a willingness to get involved in their communities in the past. The directory requires a large application of common sense; a little guidance from an experienced economic developer should be all that is required to direct local leaders toward a valuable product.

Who Pays?

A profile-directory, as proposed here, should not be very expensive although the cost will vary directly with the amount of professional guidance and the quality of production (printing, material, colors, etc.) involved. The greatest costs for this kind of project usually accrue in terms of the time commitment demanded of volunteers. Still, some costs will be incurred.



- The local chamber of commerce might allocate some of its budget to the project.
- A municipal council might provide funding or introduce a special levy from its business community.
- An oil and gas company that is planning a major project in the vicinity of a community might be another source of funds.
- Utilization of a variety of government assistance programs could support a student on a summer project.
- A local service club might also be ready to support a project of this nature.
- If no funding is forthcoming, then the community's administration might be coerced into a simple typed document containing the necessary information. However, the cost need not be great. A little ingenuity is all that is required for any community, regardless of size, to create a Community Business Profile and Directory for the oil and gas industry.



What information should be included in the profile-directory?

It is recommended that the following types of information be included in a Community Business Profile and Directory:

1. Brief community overview
2. An alphabetical list of all licenced businesses in the community
3. A directory of businesses by category
4. Key community contacts

1. Brief community overview

The community overview should describe the community and provide basic information about its location, economic base, population, size, labor force, accommodation facilities and so on. The emphasis in this introductory section should be on brevity and basic information.

2. An alphabetical list of all licenced businesses in the community

Any and all businesses in a community can benefit from adjacent energy company activity. As a result, they should all be included on this list.

3. A directory of businesses by category

Two broad categories, service and supply, should form the basis of this directory. Within the two categories, businesses should be listed under the heading that describes or defines their business type, again in alphabetical order. A category index should be provided at the front of this section. For example:

Supply Business Category Index

A

Abrasives 1

Accumulators 2

Air Drilling Equipment 5

•

•

•

B

Batteries 21
Bearings 23
Bits 25
Blowout Preventors 26
•
•
•
Boilers 35
•
•
•

M

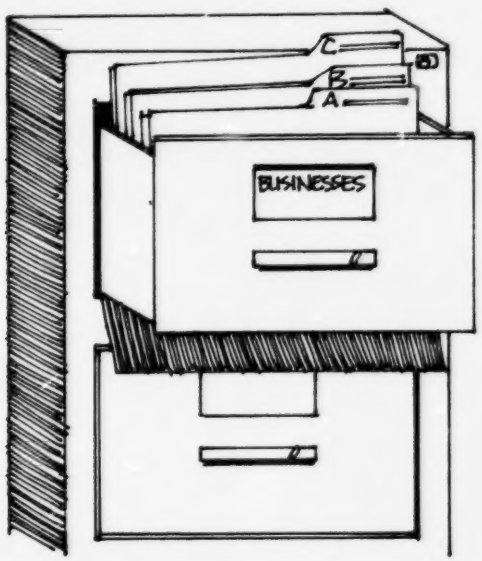
Machine Tools 161
Manifolds 161
Meters-Fluid 163
Meters-Gas 164
•
•
•
Mud Pumps 169

Next, the directory should list each community business under the index headings. For example:

Mud Pumps

ABC Pumps (403) 123-4567
P.0. Box 123
Municipality, Northern Alberta

4. **A brief profile of each business in alphabetical order**



The next step, Business Profiles, is optional because in some communities it may be too large an undertaking. However, it would certainly be valuable information for the energy companies to have. Information of this kind could make local businesses the first choice for energy companies in search of a particular service or product.

The profile of each business should be brief and the format for each business should be common. This kind of repetition will make it easier for the user. For example:

Business Name:	ABC Pumps.
Contact:	B.A. Smith (Owner and President).
Type of Business:	Supplier and Servicer of Mud Pumps.
Brief Overview:	ABC has been supplying and servicing mud pumps to drilling rigs for 20 years. ABC carries centrifugal, floating, vertical hole, fill, pit and reserve pumps. ABC is an official agent for both Whitney and Ajax pumps.

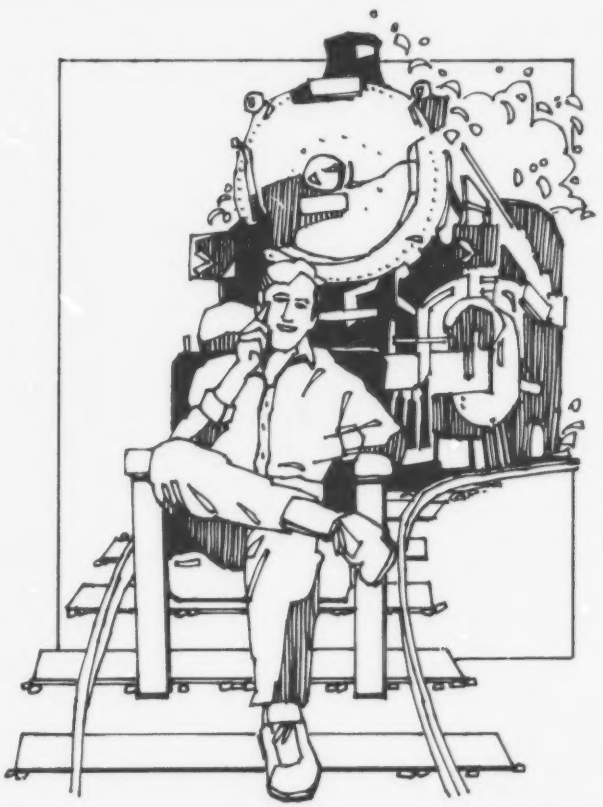
5. **Key community contacts**

Finally, the profile-directory would be even more valuable if it provided key community contacts for energy companies. Oil and gas companies have often indicated that they have difficulty finding a key contact in communities they are working near.

This business directory should be widely distributed. It should not be limited to the oil and gas companies working in your area. To be useful, it must also be current. A seasonal update would be ideal.

SURVIVING IN NORTHERN ALBERTA'S OIL AND GAS INDUSTRY

As Will Rogers once said, "Even if you're on the right track, you'll get run over if you just sit there."



Northern Alberta's oil and gas industry is certainly not an island unto itself. It is influenced, pulled and manipulated by a variety of far-reaching global forces.

Any survival management strategy adopted by a northern Alberta-based oil and gas service and supply business must take these global forces into account.

However, a variety of other basic rules of operation are more easily adopted. Elements of the following management strategy should enter the thinking of any manager whose business depends on the highly unpredictable oil and gas industry for its livelihood.

Survival Management Strategy

• GET THE FIRST CONTRACT

The trick and the challenge for most new oil and gas service and supply businesses is to get that first contract. Give yourself an opportunity to prove your worth. Discuss this strategy with your banker and reach an agreement on how far you can go to be highly competitive on your first bids.

• BE CONSERVATIVE

The oil and gas industry is a risky business at the best of times. A great many factors that are beyond your control can substantially impact your business. As a result, adopt a conservative stance at all times. Try to protect yourself by keeping up with receivables, not being spread too thin, diversifying your customer base and resisting the temptation to "go for it all" during peak periods.

• KNOW THE STRENGTHS AND WEAKNESSES OF YOUR BUSINESS

Perform an honest and realistic appraisal of the strengths and weaknesses of your business. Verify that the owners and/or managers agree on areas of strength that can be exploited in the market place and areas of weaknesses that must be resolved or avoided.

• PERFORM SEASONAL PROJECTIONS

Plan ahead for the next "oil patch season". Set goals for your business for that season. Work with a projected cash flow that allows you to enter actual cash flow activities. These data will provide you with a valuable management tool for planning the next season's activities and strategy. Make frequent use of your cash flow projection to keep you aware of where your business is at any given time. Know your break-even points, operating costs and commitments for the future. Well-equipped managers are those who know in general terms the status of their business all the time. This kind of knowledge provides for a great deal of confidence in decision-making.

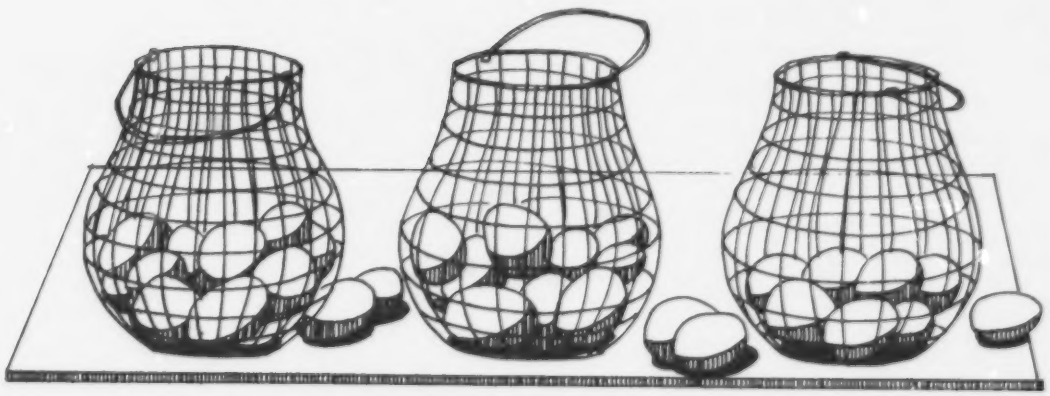
• DIVERSIFY YOUR CLIENTELE

Try to avoid having all your eggs in one basket. If your business works exclusively for one client, then it is, for all intents and purposes, an employee of that client. As such, the business is vulnerable to the fortunes and failures of that client. In a seasonal business

such as that of the oil patch, a service and supply business should concentrate on two market areas:

1. A diversified oil patch clientele during the season.

2. Other sources of revenue during the off-season. For instance, a heavy equipment operator should remain cognizant of upcoming work during each summer construction season.



• USE YOUR NETWORK

It was stated earlier that the oil industry is one that is fueled by rumors. Thus, caution is advised. Nevertheless, it is also very much a word-of-mouth, personal contacts industry. Coming business opportunities may not be advertised. You must rely on your grapevine and sources in the industry in this regard. Keep up your contacts and be visible to potential clients. Let them know you exist and find out what they are up to. Again, aggressive, persevering businesses are the most successful.

• GET TO KNOW YOUR BANKER

Make sure that your banker is very familiar with your business. To some extent you are in business together. Keep your bank manager informed about current status, pending deals and any expected cash flow shortfalls. Bankers tend to hate surprises. Make them a supportive ally of your business rather than someone whom you only call on when you need money.

• OPERATE WITH SOUND BUSINESS PRINCIPLES

Some basic fundamentals are important to business survival.

1. Understand your business yourself.
2. Use your monthly statements and cash flow projections as well as your marketing strategy to manage your business.
3. Be aware of the bottom line and remember that minimizing costs is often a better approach than maximizing profits during downturns in the oil patch.
4. Apply common sense and be tenacious.

• LEARN FROM YOUR MISTAKES

> "If you have made mistakes, even serious ones, there is always another chance for you. What we call failure is not the falling down, but the staying down."
>
> Mary Pickford
> On the Upbeat

Those who profit from their mistakes are that much wiser. You have no excuses, all things being equal, if you make the same mistake twice.

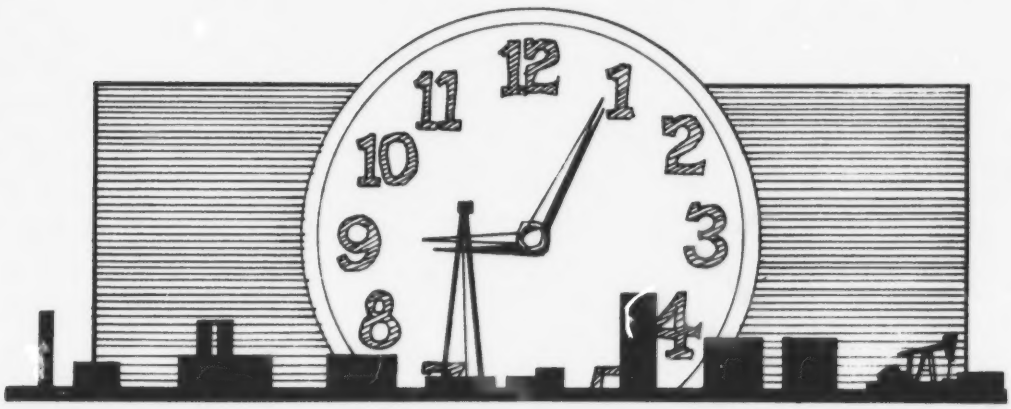
• KNOW YOUR PRODUCT OR SERVICE

Be knowledgeable about your product line — its specifications, certifications, uses and sources of support. As a service business, know your capabilities. What can you deliver and when? How much can you do in a day and what does it cost? Gain the potential customer's confidence through your thorough knowledge of your business.

• UNDERSTAND YOUR CUSTOMER

Small businesses cannot afford to spend large amounts of money on market research. Instead, you must rely on first and second hand knowledge picked up from your grapevine and personal contacts. Typically, the small business owner/manager knows the customers personally. From this foundation, an understanding of your customers can be built by way of a systematic effort. A comprehensive system for understanding can be achieved through use of what Rudyard Kipling called his six honest serving men. Their names were Who? What? Where? When? Why? and How?

Some businesses experience initial payment problems, often as a result of not understanding the invoicing procedures of some oil companies. These problems tend to be resolved with time as businesses become more familiar with the process. Find out how a client company handles invoices at the outset and meet the requirements.



• BE PUNCTUAL AND RELIABLE

You are as good as your last job in this highly competitive business. Don't make promises you can't keep. Show up on the job site before you are expected. Do quality work, or provide the required goods on time. More requests for your goods and services will result.

APPENDIX

OIL AND GAS INDUSTRY CONTACTS

If you operate, or plan to initiate an oil and gas service or supply business but are unsure about the approach you should take, help is available. Several public and private organizations serve as excellent sources of information and assistance. Generally speaking, there is no fee involved for the user of these services.

The contacts provided in this handbook are listed under the following categories:

1. **Industry Information and Research**
2. **Education and Training**
3. **Financial and Business Assistance**
4. **Controls and Regulations**
5. **Associations**

If you are looking for a particular contact and are unable to find it under your choice of category, try another. Each listing is classified under the subject heading that most closely describes the majority of its activities.

Industry Information and Research

Alberta Employment Development Centers

Grande Prairie Office
Provincial Building
10320 - 99 Street
Grande Prairie, Alberta
T8V 6J4 (403) 538-5430

St. Paul Office
411 Provincial Building
P.O. Box 1238
St. Paul, Alberta
TOA 3A0 (403) 645-6206

Alberta Energy and Natural Resources

9915 - 108 Street
Edmonton, Alberta
T5K 2C9 (403) 427-3590

Alberta Oil Sands Technology & Research Authority (AOSTRA)

500 Highfield Place
10010 - 106 Street
Edmonton, Alberta
T5J 3L8 (403) 427-7624

Alberta Research Council

7th Floor, 4445 Calgary Trail South
Edmonton, Alberta
T6H 5R7 (403) 438-1666

Canadian Association of Alberta Drilling Contractors (CAODC)

603 - 7 Avenue, S.W.
Calgary, Alberta (403) 264-4311

Canada Employment Centres

Metro Office
10704 - 102 Avenue
Edmonton, Alberta (403) 420-2280

Canada Employment and Immigration Commission (CEIC)

Regional Office
5th Floor
9925 - 109 Street
Edmonton, Alberta
T5K 2J8 (403) 420-2367

Canadian Energy Research Institute

3512 - 33 Street, N.W.
Calgary, Alberta (403) 282-1231

Canadian Market Opportunities Program

Husky Oil Operations
P.O. Box 6525, Station 'D'
Calgary, Alberta
T2P 3G7

Canadian Petroleum Association (CPA)

1500, 633 - Sixth Avenue, S.W.
Calgary, Alberta
T2P 2Y5 (403) 269-6721

Directory of Native Businesses in Alberta Nova, An Alberta Corporation

P.O. Box 2535, Station 'M'
Calgary, Alberta
T2P 2N6 (403) 290-2881

Independent Petroleum Association of Canada (IPAC)

700, 707 Seventh Avenue, S.W.
Calgary, Alberta
T2P 0Z2 (403) 290-1530

Nickle's *Daily Oil Bulletin*

300, 999 - 8 Street, S.W.
Calgary, Alberta
T2Y 1N7 (403) 244-6111

Northern Alberta Development Council (NADC)

Northern Development Branch
206 Provincial Building
Postal Bag 900-14
9621 - 96 Avenue
Peace River, Alberta
TOH 2X0 (403) 624-6274

Oilfield Technical Society (OTS)

800, 630 - 6 Avenue, S.W.
Calgary, Alberta (403) 265-2515

Education and Training

Alberta Petroleum Industry Training Centre
Advanced Education

10330 - 71 Avenue
Edmonton, Alberta
(403) 427-2768

Alberta Vocational Centres
Alberta Advanced Education

AVC Edmonton
10215 - 108 Street
Edmonton, Alberta
T5J 1L6 (403) 427-5444

AVC Grouard
Grouard, Alberta
T0G 1C0 (403) 751-3915

AVC Lac La Biche
P.O. Box 417
Lac La Biche, Alberta
T0A 2C0 (403) 623-5551

Community Vocational Centres
Alberta Advanced Education

P.O. Box 1280
Slave Lake, Alberta
T0G 2A0 (403) 849-1760

Grande Prairie Regional College

Main Campus
10726 - 106 Avenue
Grande Prairie, Alberta
(403) 539-2911

Keyano College

8115 Franklin Avenue
Fort McMurray, Alberta
T9H 2H7 (403) 791-4800

Leduc Safety Service Ltd.

10330 - 71 Avenue
Edmonton, Alberta
(403) 437-3462

Metis Development Branch
Alberta Municipal Affairs

Room 616
9925 - 107 Street
Edmonton, Alberta
(403) 427-5942

Petroleum Industry Training Service (PITS)

2115 - 27 Avenue, N.E.
Calgary, Alberta
(403) 230-4501

Financial and Business Counselling Assistance

Alberta Economic Development — Small Business Division

#1401 Provincial Building
10320 - 99 Street
Grande Prairie, Alberta
T8V 6J4 (403) 538-5230

Box 1688, Provincial Building
5025 - 49 Avenue
St. Paul, Alberta
T0A 3A0 (403) 645-6358

Postal Bag 900
Box 3, Provincial Building
9621 - 96 Avenue
Peace River, Alberta
T0H 2X0 (403) 624-6113

Box 2490
4926 - 1st Avenue
Edson, Alberta
T0E 0P0 (403) 723-8229

Alberta Opportunity Company

Main Floor, O'Brien Place
10135 - 101 Avenue
Grande Prairie, Alberta
T8V 2L8 (403) 538-5220

Suite 200, Plaza II
4341 - 50 Street
P.O. Box 1990
St. Paul, Alberta
T0A 3A0 (403) 645-6356

Business Assistance for Native Albertans Corporation (BANAC)

11738 Kingsway Avenue
Edmonton, Alberta T5G 0X5 (403) 451-6700

Canada/Alberta Northern Development Agreement

First Floor, Provincial Building
9821 - 96 Avenue
Peace River, Alberta T0H 2X0 (403) 624-6276

High Prairie Regional Economic Development Board

Postal Box 845
High Prairie, Alberta T0G 1E0 (403) 523-3505

Native Venture Capital Co.

2nd Floor, 11738 Kingsway Avenue
Edmonton, Alberta (403) 453-3911

Northwestern Regional Economic Development Council

P.O. Box 210
High Level, Alberta T0H 1Z0 (403) 926-3933

Regional Economic Development Council

Box 658
Lac La Biche, Alberta (403) 623-4493

Controls and Regulations

Alberta Oil Sands Equity Energy and Natural Resources

9945 - 108 Street
Edmonton, Alberta
T5K 2G6 (403) 427-2492

Alberta Petroleum Marketing Commission

1900, 250 - 6 Avenue, S.W.
Calgary, Alberta
T2P 3H7 (403) 297-5500

Energy Resources Conservation Board (ERCB)

640 - 5 Avenue, S.W.
Calgary, Alberta
T2P 3G4 (403) 297-8311

Surface Rights Board

16 Floor, Century Place
9803 - 102 A Avenue
Edmonton, Alberta
T5J 3A3 (403) 427-2444

Associations

Alberta Land Surveyors' Association

114, 14315 - 118 Avenue
Edmonton, Alberta
(403) 452-7662

Canadian Association of Petroleum Landmen

960, 800 - 6 Avenue, S.W.
Calgary, Alberta
(403) 265-4030

Canadian Gas Processors Suppliers Association

#229, 6040 - 5 Avenue, S.W.
Calgary, Alberta
T2L 1J2 (403) 265-5388

Canadian Oilfield Heavy Haulers Association

8715 - 44 Street, S.E.
Calgary, Alberta
(403) 236-0208

Canadian Oilfield Manufacturers Association (COMA)

10744 - 48 Street
Edmonton, Alberta
(403) 468-2078

Canadian Oil Scouts Association

P.O. Box 124, Main Postal Station
Calgary, Alberta
T2P 2H6 (403) 276-1700

Canadian Society of Exploration Geophysicists

229, 640 - 5 Avenue, S.W.
Calgary, Alberta
T2P 1M7 (403) 262-0015

Canadian Society of Petroleum Geologists

612 Lougheed Building
604 - 1st Street, S.W.
Calgary, Alberta
T2P 1M7 (403) 233-9317

Canadian Well Logging Society

Box 6962, Postal Station 'D'
Calgary, Alberta
T2P 2G2

Oilfield Contracts Association

310 Kingsway Garden Mall
Edmonton, Alberta
T5G 3A6 (403) 479-7671

Petroleum Society for CIM

Box 6171, Postal Station 'D'
Calgary, Alberta
T2P 2C8

Pipe Line Contractors Association of Canada

203, 698 Seymour Street
Vancouver, British Columbia
(604) 681-3458

Purchasing Management Association of Canada

2 Carlton Street, Suite 917
Toronto, Ontario
M5B 1J3 (416) 977-7111